

AREA 15 REGIONAL PLANNING COMMISSION  
OTTUMWA, IOWA

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2011

Peak & Co., LLP  
Certified Public Accountants  
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**Area 15 Regional Planning Commission**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Area 15 Regional Planning Commission

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Area 15 Regional Planning Commission, Ottumwa, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the Commission's basic financial statements listed in the table of contents. These financial statements are the responsibility of the Commission officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Area 15 Regional Planning Commission at June 30, 2011, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 15, 2012, on our consideration of Area 15 Regional Planning Commission's internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 11 and page 36 are not required parts of the basic financial statements, but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Area 15 Regional Planning Commission's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Peak & Co., LLP  
Certified Public Accountants

March 15, 2012

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Area 15 Regional Planning Commission provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the Commission's financial statements, which immediately follow this section.

### **2011 FINANCIAL HIGHLIGHTS**

- Revenues of the Commission's government fund activities increased 78.2% or \$ 401,706 from fiscal 2010 to fiscal 2011. The increase was mainly the result of initiation of the AHEAD Regional Housing Trust Fund (RHTF) and the "*Iowans Helping Iowans*" Disaster Recovery Housing program.
- Operating expenditures increased 43.4%, or \$ 234,159 in fiscal year 2011 as compared to fiscal year 2010. Housing loan activities in both the RHTF and "*Iowans Helping Iowans*" programs contributed greatly to this increase in expenditures.
- The Commission's net assets increased 7.8%, or approximately \$ 136,300, from June 30, 2010 to June 30, 2011 as a result of the year's operations. This increase can be attributed to a new program, the AHEAD, Inc. Regional Housing Trust Fund. The net assets in this fund were approximately \$308,000 at June 30, 2011.
- During the fiscal year, the Commission provided a \$ 15,000 REDI Loan Fund business loan to one new business.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements as well as other requirements as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities.

Government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the Area 15 Regional Planning Commission as a whole and represent an overall view of the Commission's finances.

Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Area 15 Regional Planning Commission's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the Commission.

## **Reporting the Commission's Financial Activities**

### ***Government-wide Financial Statement***

To evaluate the Commission as a whole, one of the most important questions asked about the Commission's operations is "Is the Commission as a whole better off or worse as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Commission as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is the form of accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Commission's net assets and changes in them. You can think of the Commission's net assets, the difference between assets (what the Commission owns) and liabilities (what the Commission owes) as one way to measure the Commission's financial health, or financial position. Over time, increases or decreases in the Commission's net assets are one indication of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors however, such as changes in the Commission's programs/services, local jurisdictions' need for Commission technical assistance, and continuing local government support to assess the overall health of the Commission.

### ***Reporting the Commission's Most Significant Funds***

Our analysis of the Commission's major funds begins on page 15, and provides detailed information about the most significant funds - not the Commission as a whole. The non-major fund financial statements begin on page 38. Some funds are required to be established by the grantor agencies. However, many other funds have been established by the Board of Directors to control and manage money for particular purposes (such as administrative contracts, city code updates, etc.).

### **MAJOR FUNDS:**

- General
- Regional Economic Development Investments, Inc. (R.E.D.I., Inc. ) – Regional business revolving loan fund
- Area-wide Housing Enterprises and Development, Inc. (AHEAD, Inc.)  
Regional Community Housing Development Organization (CHDO)
- Administrative contracts – contracts with local jurisdictions
- AHEAD Regional Housing Trust Fund (RHTF)
- Economic Development Administration Grant (EDA)
- Iowa Department of Transportation (IDOT)
- “Iowans Helping Iowans” Program – housing disaster recovery program
- Hazard Mitigation Grant Program
- Iowa Dept. of Economic Development (IDED) Grant Programs – collaborative marketing programs

*Governmental Funds:* The Commission’s programs and services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds statement provides a detailed short-term view of the Commission’s operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to finance the Commission’s programs and service delivery.

*Fiduciary Funds:* Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the Commission’s own programs. These fiduciary funds include Agency Funds to account for monies held on behalf of others.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

### **THE COMMISSION AS A WHOLE**

The Commission’s total net assets changed from a year ago, increasing from \$ 1,699,093 to \$ 1,835,471. Our analysis below focuses on the net assets (Table 1) and changes in net assets of the Commission’s activities.

**TABLE 1**

	<b>Net Assets (in thousands)</b>		
	<b>2010</b>	<b>2011</b>	<b>% of Change</b>
Cash & equivalents	\$ 975.5	\$ 1351.0	+ 38.5%
Accounts Rec.	74.1	77.8	+ 5.0%
Loans Rec.	646.1	407.5	- 36.9%
Prepaid Exp.	17.2	6.8	- 60.5%
Capital assets	59.6	60.9	+ 2.2%
<b>TOTAL ASSETS</b>	<b>\$ 1772.5</b>	<b>\$ 1904.0</b>	<b>+ 7.4%</b>
Accounts payable	\$ 20.0	\$ 24.8	+ 24.0%
Accrued liabilities	9.2	8.1	- 11.9%
Deferred revenue	19.5	-0-	- 100.0%
Long - Term liabilities	24.7	35.7	+ 44.5%
<b>TOTAL LIABILITIES</b>	<b>\$ 73.4</b>	<b>\$ 68.6</b>	<b>- 6.6%</b>
Net Assets:			
Invested in capital assets	\$ 56.3	\$ 59.8	+ 6.2%
Restricted	1425.2	1649.5	+ 15.7%
Unrestricted	217.6	126.1	- 42.0%
<b>TOTAL NET ASSETS</b>	<b>\$ 1699.1</b>	<b>\$ 1835.4</b>	<b>+ 8.0%</b>

Net assets of the Commission's activities increased by 8.0%, or \$ 136,378. Total assets increased primarily due to addition of two new programs: the AHEAD Regional Housing Trust Fund (RHTF) and the "*Iowans Helping Iowans*" Disaster Recovery Housing program. Unrestricted net assets, the part of net assets that can be used to finance day-to day operations without constraints established by grant guidelines or other legal requirements decreased from \$ 217,588 to \$ 126,083 at the end of FY2011.

During the year ended June 30, 2011, revenues from charges for service totaled \$ 79,544; operating grants, contributions and restricted interest totaled \$ 647,270; capital grants, contributions and restricted interest totaled \$ 174,154; local dues totaled \$ 40,928; and general revenues from unrestricted investment earnings totaled \$ 4,833. Program expenses for community and economic development function totaled \$ 782,851.

### **THE COMMISSION'S FUNDS**

Table 2 presents the fund balances of the individual major funds and nonmajor funds and an analysis of significant changes in the fund balances.



**TABLE 2**  
**Year End Fund Balance**  
**(in Thousands)**

	<u>2010</u>	<u>2011</u>	<u>% Change</u>
General	\$ 136.2	\$ 144.6	+ 6.2%
REDI, Inc.	1081.9	985.3	- 8.9%
AHEAD, Inc.	188.3	166.8	- 11.4%
Administrative contracts	42.8	34.4	- 19.6%
AHEAD RHTF	0.0	307.6	+ 100.0%
Economic Development Admin.	0.0	(7.3)	+ 100.0%
Iowa Department of Transportation	0.0	(17.7)	+ 100.0%
Iowans Helping Iowans	0.0	33.0	+ 100.0%
Hazard Mitigation Grant Program	(7.9)	(12.4)	+ 60.0%
IDED Grant Programs	50.3	17.5	- 65.2%
Non-major Programs	150.4	105.0	- 30.2%
<b>Total Account Balances</b>	<b>\$ 1642.0</b>	<b>\$ 1756.8</b>	<b>+ 7.0%</b>

The General Fund balance increased during this fiscal year since the Commission incurred minimal outside legal expenses.

The REDI fund decrease is a result of a loan write-off and the refund of local equity.

The decrease in the AHEAD, Inc. fund can be attributed to administrative and legal fees incurred in collection of delinquent accounts as well as the transfer of funds to the newly created AHEAD RHTF to provide the local matching funds to the State Housing Trust Fund award.

The Administrative Contracts fund balance decrease is reflective of additional costs to service the additional disaster recovery projects which the RPC administered during the fiscal year.

The AHEAD RHTF fund balance reflects the full deposit of the State Housing Trust Fund award as well as the required local matching funds contributions.

The Economic Development Administrative Grant is a grant received in fiscal year 2009 to coordinate the disaster recovery operations related to the flood of 2008. As of June 30, 2011, this project grant is was complete and the negative fund balance reflects monies spent on this project, but the related reimbursement from the federal government was not received within 60 days of fiscal year end.

At June 30, 2011, the Iowa Department of Transportation grant negative fund balance reflects monies spent on this project, but the related reimbursement from the State of Iowa was not received within 60 days of fiscal year end.

The “*Iowans Helping Iowans*” Disaster Recovery Housing program was initiated in August 2010 by Iowa Finance Authority (IFA) in response to the Federal Disaster Declaration of the 2010 Floods. The RPC was designated to distribute housing disaster recovery funds within a three (3) county area (Mahaska, Marion and Wapello). This fund balance reflects distribution of available forgivable loan funds to eligible housing repair/rehab. assistance recipients. The monies in this fund at June 30, 2011 represent committed but undisbursed housing rehab. funds as well as unspent administrative funds received in relation to this program.

The changes in the Hazard Mitigation Grant Program reflects the collection of all funding for the completion of the Jefferson and Mahaska County plans and partial funding for the in-progress Keokuk County Plan.

Decreases in the IDED Grant Program are a result of completion/close-out of several Regional Collaborative Marketing projects jointly funded by Iowa DED and local development corporations/utilities. The previous fund balances were a result of pre-payment of 50% of the IDED grant and local match funds prior to expenditure of funds for the specific program activities.

Overall, the Commission’s and its affiliate’s funds increased by 7.0% as of June 30, 2011, in comparison to the balances as of June 30, 2010. This increase is mostly attributable to the addition of the AHEAD Regional Housing Trust Fund and the “*Iowans Helping Iowans*” Disaster Recovery Housing projects/programmatic activities.

Table 3 presents a summary of Commission fund revenues for the 2011 fiscal year and the amounts and percentages of increases and decreases in relation to the prior year.

**TABLE 3**  
**Total Governmental Fund Revenues**

<b>Revenue source</b>	<b><u>2010 Amount</u></b>	<b><u>% of Total</u></b>	<b><u>2011 Amount</u></b>	<b><u>% of Total</u></b>	<b><u>Increase (Decrease) Over 2010</u></b>	<b><u>Percent Increase (Decrease)</u></b>
General Revenues	\$ 49,997	10.0%	\$ 18,261	2.0%	\$ (31,736)	- 63.5%
Charges for service	95,293	19.1%	79,544	8.7%	(15,749)	- 16.5%
Oper.Grants/Contributions & Restricted Int.	303,911	60.9%	647,270	70.4%	343,359	+112.9%
Capital Grants/Contrib. & Restricted Int.	<u>49,770</u>	<u>10.0%</u>	<u>174,154</u>	<u>18.9%</u>	<u>124,384</u>	<u>+249.9%</u>
<b>TOTAL:</b>	<b>\$ 498,971</b>	<b>100.0%</b>	<b>\$919,229</b>	<b>100.0%</b>	<b>\$ 420,258</b>	<b>+ 84.2%</b>

The decrease in general revenues can be attributed to the refund of the City of Chariton's equity investment in the REDI Revolving Loan Fund.

Charges for service revenues decreased due to the completion and close-out of several CDBG administrative contracts.

The increase in the Operating Grants/Contributions/Restricted Interest revenue category is reflective of the addition of the AHEAD Regional Housing Trust Fund program.

Likewise, the Capital Grants/Contributions/Restricted Interest revenue category increase reflects the initiation of the "*Iowans Helping Iowans*" program funding from IFA which the Area 15 RPC directly distributes financial assistance to eligible homeowners for 2010 flood recovery housing repair/ rehabilitation activities.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Area 15 Regional Planning Commission's Executive Committee considered various factors when setting the fiscal year 2012 budget and fees that will be charged for agency activities. Area 15 RPC general fund operations are expected to remain consistent with the previous year. Federal and state capital and operating grants are expected to tighten moving forward due to budget concerns.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Area 15 Regional Planning Commission's finances and to show the Commission's accountability for the money it receives. a general overview of the Commission's finances and operating activities. If you have any questions or need additional financial information, please contact the Area 15 Regional Planning Commission, 651 Indian Hills Drive – Building 17, P.O.Box 1110, Ottumwa, Iowa 52501.

## **Basic Financial Statements**

## Area 15 Regional Planning Commission

Exhibit A

## Statement of Net Assets

June 30, 2011

**Assets**

Cash and cash equivalents	\$ 1,351,038
Accounts receivable (Note 3)	77,785
Loans receivable, less allowance for loan losses of \$65,000 (Note 5)	407,494
Prepaid expenses	6,778
Capital assets (net of accumulated depreciation)	60,868
<b>Total assets</b>	<u>1,903,963</u>

**Liabilities**

Accounts payable	24,760
Accrued payroll and related taxes	4,868
Advanced payments - Membership Dues	3,200
Long - term liabilities:	
Portion due within one year:	
Capitalized lease obligations	1,029
Compensated absences payable	29,635
Portion due after one year:	
Net OPEB liability	5,000
<b>Total liabilities</b>	<u>68,492</u>

**Net Assets**

Invested in capital assets, net of related debt	59,839
Restricted for:	
Loan purposes	1,152,141
Housing purposes	412,589
Marketing purposes	17,461
Disaster recovery purposes	32,995
Other purposes	34,363
Unrestricted	126,083
<b>Total net assets</b>	<u>\$ 1,835,471</u>

See notes to financial statements.

Area 15 Regional Planning Commission

Exhibit B

Statement of Activities

Year ended June 30, 2011

	Program Revenues					Net (Expense) Revenue and Changes in Net Assets
	Operating					
	Grants,					
	Contributions					
	Capital Grants,					
	Contributions and					
	Restricted Interest					
	Expenses	Charges for Service	and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	
<b><u>Functions / Programs:</u></b>						
Governmental activities:						
Community and economic development	\$ 782,851	79,544	647,270	174,154	118,117	
<b>General Revenues:</b>						
Unrestricted investment earnings					4,833	
Local dues					40,928	
Return of equity					(27,500)	
Total general revenues					18,261	
Change in net assets					136,378	
Net assets beginning of year, as restated					1,699,093	
Net assets end of year					<u>\$ 1,835,471</u>	

See notes to financial statements.

Area 15 Regional Planning Commission

Exhibit C

Balance Sheet

June 30, 2011

	Special Revenue										
	Regional										
	Economic Development Investments, Inc.										
	AHEAD, Inc.										
	AHEAD, Inc.										
	Regional Housing Trust Fund										
	Economic Development Administration Grant										
	Iowa Department of Transportation										
	Administrative Contracts										
	Hazard Mitigation Grant Program										
	IDED Grant Programs										
	Iowa's Helping Iowans										
	Nonmajor Funds										
	Total										
Assets											
Cash and cash equivalents	\$ 92,798	681,500	89,333	300,173	-	-	24,168	-	23,561	98,518	1,351,038
Accounts receivable	2,000	-	-	-	10,534	19,780	24,506	20,965	-	-	77,785
Loans receivable	-	308,569	79,251	13,217	-	-	-	-	-	6,457	407,494
Prepaid expenses	2,378	-	-	-	-	-	-	-	4,400	-	6,778
Due from other funds	55,148	-	-	-	-	-	-	-	-	-	55,148
Total assets	\$ 152,324	990,069	168,584	313,390	10,534	19,780	48,674	20,965	27,961	104,975	1,898,243
Liabilities and Fund Balances											
Liabilities:											
Accounts payable	\$ 4,421	1,627	305	-	28	151	27	-	10,500	7,701	24,760
Accrued payroll and related taxes	23	155	10	363	1,404	1,083	1,146	393	-	291	4,868
Due to other funds	-	2,924	1,491	5,413	7,402	17,346	-	20,572	-	-	55,148
Advanced payments - Membership Dues	3,200	-	-	-	-	-	-	-	-	-	3,200
Deferred revenue	-	-	-	-	9,034	18,870	13,138	12,392	-	-	53,434
Total liabilities	7,644	4,706	1,806	5,776	17,868	37,450	14,311	33,357	10,500	7,992	141,410
Fund balances:											
Restricted for:											
Loan purposes	-	985,363	166,778	-	-	-	-	-	-	-	1,152,141
Housing purposes	-	-	-	307,614	-	-	-	-	-	104,975	412,589
Marketing purposes	-	-	-	-	-	-	-	-	17,461	-	17,461
Disaster recovery purposes	-	-	-	-	-	-	-	-	-	32,995	32,995
Other purposes	-	-	-	-	-	-	34,363	-	-	-	34,363
Unassigned	144,680	-	-	-	(7,334)	(17,670)	-	(12,392)	-	-	107,284
Total fund balances	144,680	985,363	166,778	307,614	(7,334)	(17,670)	34,363	(12,392)	17,461	32,995	1,756,833
Total liabilities and fund balances	\$ 152,324	990,069	168,584	313,390	10,534	19,780	48,674	20,965	27,961	104,975	1,898,243

Area 15 Regional Planning Commission

Exhibit D

Reconciliation of the Balance Sheet -  
Governmental Funds to the Statement of Net Assets

June 30, 2011

**Total governmental fund balances (page 15)** **\$ 1,756,833**

*Amounts reported for governmental activities in the Statement of Net  
Assets are different because:*

Certain assets are not available to pay current period expenditures and,  
therefore, are deferred in the governmental funds. 53,434

Capital assets used in governmental activities are not financial resources  
and, therefore, are not reported as assets in the governmental funds. 60,868

Long - term liabilities, including capitalized lease obligations,  
compensated absences payable and other postemployment  
benefits payable, are not due and payable in the current period  
and, therefore, are not reported in the governmental funds. (35,664)

**Net assets of governmental activities (page 13)** **\$ 1,835,471**

See notes to financial statements.



Area 15 Regional Planning Commission  
Statement of Revenues, Expenditures and  
Changes in Fund Balances

Exhibit E

Year ended June 30, 2011

Special Revenue											
	Regional Economic Development Investments, Inc. Loan Fund	AHEAD, Inc. Fund	AHEAD, Inc. Regional Housing Trust Fund	Economic Development Administration Grant	Iowa Department of Transportation	Administrative Contracts	Hazard Mitigation Grant Program	IDED Grant Programs	Iowa's Helping Iowans	Nonmajor Funds	Total
Revenues:											
Use of money and property											
Interest income	\$ 534	21,600	1,437	671	4,299	-	-	-	-	-	28,541
Charges for service											
Late payment fees and penalty	-	153	98	-	-	-	-	-	-	-	251
Loan origination fees	-	225	440	210	-	-	-	-	-	-	875
Contract administration	-	-	-	-	-	78,228	-	-	-	-	78,228
	-	378	538	210	-	78,228	-	-	-	-	79,354
Intergovernmental											
Federal funds	-	-	-	-	116,686	40,001	26,117	-	-	-	182,804
State funds	-	-	-	275,239	10,294	-	3,482	52,500	174,154	-	515,669
Other governments	-	-	-	45,330	-	-	-	-	-	-	45,330
Memberships dues and fees	40,928	-	-	-	-	-	-	-	-	-	40,928
	40,928	-	-	320,569	126,980	40,001	29,599	52,500	174,154	-	784,731
Miscellaneous											
	3,470	-	-	-	7,416	-	-	12,000	-	-	22,886
Total revenues	44,932	21,978	1,975	321,450	138,695	40,001	78,228	64,500	174,154	-	915,512
Expenditures:											
Operating:											
Community and economic development											
Personnel	1,173	4,908	2,147	4,607	115,577	46,725	60,943	24,109	-	4,987	265,176
Fringe benefits	356	1,129	906	875	29,842	13,154	15,200	5,587	-	1,431	68,480
Travel	154	52	-	97	3,961	797	1,046	1,355	-	7,813	7,813
Phone	-	145	140	60	350	427	530	135	-	105	1,892
Printing and postage	-	169	65	129	1,390	1,190	1,555	142	-	10	4,650
Supplies	-	10	10	79	1,175	428	150	541	-	-	2,393
Equipment	-	500	100	581	385	1,499	700	100	-	-	3,865
Contractual	69	5,370	841	-	50	100	-	-	-	-	103,813
Program	-	-	1,868	20,351	-	-	-	97,383	-	-	200,696
Other	832	840	355	3,196	4,568	2,825	34	30	-	468	13,148
Interest	-	1,979	-	-	-	-	-	-	-	-	1,979
Bad debt	-	75,325	-	-	-	-	-	-	-	-	75,325
Indirect costs	116	559	85	861	7,795	5,249	6,554	2,098	-	660	23,977
Total expenditures	2,700	90,986	6,517	30,836	165,093	72,394	86,712	34,097	97,383	141,159	773,207
Excess (deficiency) of revenues over (under) expenditures	42,232	(69,008)	(4,542)	290,614	(26,398)	(32,393)	(8,484)	(4,498)	(32,883)	32,995	(45,330)
Other financing sources (uses):											
Return of equity	-	(27,500)	-	-	-	-	-	-	-	-	(27,500)
Operating transfers in	-	-	-	17,000	19,064	14,723	-	-	-	-	50,787
Operating transfers out	(33,787)	-	(17,000)	-	-	-	-	-	-	-	(50,787)
Total other financing sources (uses)	(33,787)	(27,500)	(17,000)	17,000	19,064	14,723	-	-	-	-	(27,500)
Net change in fund balances	8,445	(96,508)	(21,542)	307,614	(7,334)	(17,670)	(8,484)	(4,498)	(32,883)	32,995	(45,330)
Fund balances beginning of year, as restated	136,235	1,081,871	188,320	-	-	-	42,847	(7,894)	50,344	-	1,642,028
Fund balances end of year	\$ 144,680	985,363	166,778	307,614	(7,334)	(17,670)	34,363	(12,392)	17,461	32,995	1,756,833

See notes to financial statements.

Area 15 Regional Planning Commission

Exhibit F

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances -  
Governmental Funds to the Statement of Activities

Year ended June 30, 2011

**Net change in fund balances - Total governmental funds (page 17)** **\$ 114,805**

***Amounts reported for governmental activities in the Statement of  
Activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures of capital assets	\$ 6,600	
Depreciation expense	<u>(4,106)</u>	2,494

In the Statement of Activities, the loss on disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (1,192)

Certain accounts receivable not collected for several months after year end is not considered available revenue and is deferred in the governmental funds. 31,219

Proceeds of issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	-	
Repaid	<u>2,250</u>	2,250

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(8,198)	
Other postemployment benefits	<u>(5,000)</u>	<u>(13,198)</u>

**Change in net assets of governmental activities (page 14)** **\$ 136,378**

See notes to financial statements.

Area 15 Regional Planning Commission  
Statement of Fiduciary Assets and Liabilities  
Agency Fund  
June 30, 2011

Exhibit G

**Assets**

Cash and cash equivalents	<u>\$ 642</u>
<b>Total assets</b>	<u>642</u>

**Liabilities**

Due to other governments	<u>642</u>
<b>Total liabilities</b>	<u>642</u>

<b>Net Assets</b>	<u><u>\$ -</u></u>
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See notes to financial statements.

## Area 15 Regional Planning Commission

### Notes to Financial Statements

June 30, 2011

#### Note 1. Summary of Significant Accounting Policies

The Area 15 Regional Planning Commission (Commission) was created pursuant to Chapter 28E of the Iowa Code. The Commission is a voluntary organization of counties and municipal corporations in the east south-central Iowa region. All territory within six identified counties (Davis, Jefferson, Keokuk, Mahaska, Van Buren and Wapello) is designated to be the east south-central Iowa region.

The Commission is the recipient of several program grants. In addition, funds are received from local member governments to aid in the planning functions of the Area 15 Regional Planning Commission. In exchange for these member government contributions, the Area 15 Regional Planning Commission provides information, planning services, and technical assistance as well as coordinates the activities of these local governments with other local governments or grantor agencies. The Area 15 Regional Planning Commission functions as the comprehensive planning and review agency for the Area 15 region, and is available to assist member governments in any other manner that they may direct.

The financial statements of the Area 15 Regional Planning Commission have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, the Area 15 Regional Planning Commission has included all funds, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Commission.

These financial statements present the Area 15 Regional Planning Commission (the primary government) and its component units. The component units discussed below are included in the Commission's reporting entity because of the significance of its operational or financial relationship with the Commission.

Blended Component Units – The Regional Economic Development Investments, Inc. and AHEAD, Inc. are included in the financial statements of the Area 15 Regional Planning Commission because their relationship with the Commission is such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Commission's Executive Board is also the Board of Regional Economic Development Investments, Inc., and several members of the Commission are on the Board of AHEAD, Inc. In accordance with the criteria set forth by the Governmental Accounting Standards Board, the Regional Economic Development Investments, Inc. and AHEAD, Inc. meet the definition of component units which should be blended. The financial activity of the component units have been blended as Special Revenue Funds of the Commission.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the Commission. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are primarily supported by intergovernmental revenues and charges for services.

The Statement of Net Assets presents the Commission's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories.

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital improvements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The Commission reports the following major governmental funds:

The General Fund is the general operating fund of the Commission. All receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From this fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs that are not paid from other funds.

Special Revenue:

Regional Economic Development Investments, Inc. - Revolving Loan Fund – This fund is used to account for the revolving loan fund revenues and expenditures.

AHEAD, Inc. Fund – This fund is used to account for the AHEAD revenues and the related expenditures. This fund also accounts for revolving loan fund revenues and expenditures.

AHEAD, Inc. Regional Housing Trust Fund – This fund is used to account for housing trust fund revenues and the related expenditures. These monies are used for housing rehabilitation assistance, and for tenant rental and utility assistance. This fund also accounts for revolving loan funds in relation to this program.

Economic Development Administration Grant – This fund is used to account for the Economic Development Administrative Grant proceeds and the related expenditures.

Iowa Department of Transportation – This fund is used to account for the proceeds from the Iowa Department of Transportation Project and the related expenditures.

Administrative Contracts – This fund is used to account for the administrative fees received to administer the Community Development Block Grants for local member governments and the related expenditures.

Hazard Mitigation Grant Program – This fund is used to account for FEMA grant proceeds and the related expenditures to prepare Multi-Hazard, Multi – Jurisdiction Pre-Disaster Hazard Mitigation Plans for Keokuk County, Jefferson County and Mahaska County, Iowa. This program is a multi-year program.

IDED Grant Programs – This fund accounts for grant funds from the Iowa Department of Economic Development (IDED) to Area 15 RPC as the “pass through” agent on behalf of Opportunity 2. These grant funds will be matched by Opportunity 2 to undertake various regional collaborative marketing programs. Both IDED and Opportunity 2 funds will be expended for collaborative marketing expenditures.

Iowan’s Helping Iowan’s – This fund is used to account for monies received from the State of Iowa passed through the Commission and paid to individuals to assist home owners in repairing/rehabilitation structural and related damage caused by severe storms or flooding during the summer of 2010 in three Southern Iowa disaster counties. These monies were to be used for housing repair/rehabilitation assistance and down payment assistance. No one in the three counties used the down payment assistance program.

The Commission reports the following nonmajor governmental funds:

Special Revenue:

Housing Partnership Fund – This fund accounts for revenues received from the Iowa Finance Authority to begin a single-family first time home buyer program, and the related expenditures associated with this program. This fund also accounts for revolving loan fund revenues and expenditures related to the single-family first time home buyer program.

Housing Fund – This fund is used to account for monies received as reimbursement of prior housing costs. The monies will be expended for housing-related expenditures.

Local Housing Assistance Program – This fund is to be used for costs incurred in the acquisition/demolition of vacant, dilapidated structures and redevelopment of the site, and for speculative housing development.

The Commission also reports fiduciary funds which focus on net assets and changes in net assets. The Commission’s fiduciary funds include the following:

The Agency Fund is used to account for assets held by the Commission as an agent for other organizations and governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within 60 days after year end.

Intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Commission.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of the grant agreements, the Commission funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Commission's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the Commission's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most Commission funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extend the useful lives are not capitalized. Capital assets are defined by the Commission as assets with initial, individual cost in excess of \$500 and estimated useful lives in excess of two years.

Capital assets of the Commission are depreciated using the straight line method over estimated useful lives of 5-7 years.

Note 1. Summary of Significant Accounting Policies (continued)

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of receivables not collected within sixty days after year end.

Compensated Absences – Commission employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011.

Due From and Due to Other Funds – During the course of operations, the Commission has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2011, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other spendable classifications.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Indirect Expense Allocation – Expenses relating to the administration of the Commission in general are allocated to the specific program grants based upon actual time spent (salaries, benefits, etc.), or some other equitable basis depending upon the nature of the expenditure.

Note 2. Cash and Pooled Investments/Concentration of Credit Risk

The Commission's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Deposits held by AHEAD, Inc. at June 30, 2011, and at other times during the fiscal year, were not entirely covered by federal depository insurance, or by any other type of insurance or collateral.



Note 2. Cash and Pooled Investments/Concentration of Credit Risk (continued)

At June 30, 2011, deposits held by the Regional Economic Development Investments, Inc. were covered by federal depository insurance, and by collateral securities held by the custodial bank in the Regional Economic Development Investments, Inc. name.

The Commission, AHEAD, Inc. and Regional Economic Development Investments, Inc. normally invests in Now accounts, savings accounts, money master sweep accounts, and certificates of deposit.

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers' acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts and warrants or improvement certificates of a drainage Commission.

The Commission, AHEAD, Inc. and Regional Economic Development Investments, Inc. had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statements No. 3 and No. 40.

Note 3. Accounts Receivable

Amounts shown as accounts receivable at June 30, 2011 consist of the following:

<u>Source</u>	<u>Amount</u>
State of Iowa	\$ 28,814
City of Oskaloosa	3,708
City of Bloomfield	5,387
City of Keosauqua	4,421
City of Sigourney	3,132
City of Eddyville	4,293
City of South English	1,067
City of Milton	2,549
Keokuk County	20,964
Various other cities and counties	3,450
	<u>\$ 77,785</u>

The Commission believes that all accounts receivable will be collectible. As a result, no allowance for doubtful accounts was established.

Note 4. Due From and Due to Other Funds

The detail of the interfund receivables and payables at June 30, 2011 is as follows:

Note 4. Due From and Due to Other Funds (continued)

Receivable Funds	Payable Funds	Amount
General	Special Revenue:	
	Regional Economic Development Investments Inc. Revolving Loan Fund	\$ 2,924
	AHEAD, Inc. Fund	1,491
	AHEAD, Inc. Regional Housing Trust Fund	5,413
	Economic Development Administration Grant	7,402
	Iowa Department of Transportation	17,346
	Hazard Mitigation Grant Program	<u>20,572</u>
		<u>\$ 55,148</u>

The above represents transactions in the normal course of operations.

Note 5. Loans Receivable

The following 14 loans represent loans made by Regional Economic Development Investments, Inc. with funds received by the Commission, as obtained from the U.S. Department of Commerce – Economic Development Administration from the Economic Adjustment Assistance grant program. In addition, local match money was required to be provided and was combined with this grant program. These grant and local match monies are used to make loans to businesses. Loans are subject to guidelines provided by the federal granting agency and must stimulate the economy and encourage job creation.

Loans receivable are described below:

	<u>Original Amount</u>	<u>Repayment Terms</u>	<u>Security</u>	<u>Balance June 30, 2011</u>
Loan #1	\$ 48,000	60 monthly payments of \$905.82 including interest at 5%. Final payment due in May of 2001. This loan is currently delinquent.	Security agreement on machinery, equipment, furniture, furnishings, fixtures, inventory and accounts receivable. Personal guarantee of corporate officers.	\$10,656
Loan #2	10,000	60 monthly payments of \$184.17 including interest at 4%. Final payment due in May, 2009. This loan is currently delinquent.	Security agreement on furnishings, fixtures, accounts receivable, inventory, and all other general intangibles, and first possession security interest in two ATV's. Personal guarantee from the owners.	3,053

Note 5.      Loans Receivable (continued)				Balance June 30, 2011
	<u>Original Amount</u>	<u>Repayment Terms</u>	<u>Security</u>	
Loan #3	\$125,000	60 monthly payments of \$209.86 including interest at 5%. Final payment due in March, 2015. The terms of this loan were modified during fiscal year 2010.	Security agreement on machinery, inventory, accounts receivable, and all other general intangibles. Also, mortgage on real estate. Personal guarantee from the owners.	\$9,846
Loan #4	51,200	60 monthly payments of \$966.21 including interest at 5%. Final payment due in March, 2011. This loan is currently delinquent.	Security agreement on equipment, accounts receivable, inventory, and all other general intangibles. Corporate and personal guarantee from the loan principals.	32,849
Loan #5	75,000	60 monthly payments of \$1,415.34 including interest at 5%. Final payment due in July, 2011. This loan is currently delinquent.	Security agreement on all machinery and equipment, accounts receivable, inventory, and all other general intangibles. Corporate and personal guarantee from the loan principal.	67,183
Loan #6	85,000	60 monthly payments of \$1,604.05 including interest at 5%. Final payment due in September, 2011.	Security agreement on equipment, accounts receivable, inventory, and all other general intangibles. Personal guarantee from the loan principal.	7,471
Loan #7	100,000	60 monthly payments of \$1,887.12 including interest at 5%. Final payment due in November, 2011.	Security agreement on all inventory, accounts receivable, equipment, all other general intangibles, and three specific machines. Personal guarantee of the loan principal.	4,772
Loan #8	62,500	60 monthly payments of \$1,179.45 including interest at 5%. Final payment due in August, 2012.	Security agreement on all inventory, accounts receivable, equipment, all other general intangibles, as well as specific equipment and software. Personal guarantee of the loan principal.	16,007
Loan #9	100,000	60 monthly payments of \$1,887.12 including interest at 5%. Final payment due in January, 2013.	Security agreement on all inventory, accounts receivable, equipment, all other general intangibles, as well as specific equipment. Second mortgage on real estate. Personal guarantee of the loan principal.	34,524
Loan #10	64,066	60 monthly payments of \$1,209 including interest at 5%. Final payment due in May, 2013.	Security agreement on all inventory, accounts receivable, equipment, all other general intangibles, as well as specific equipment. Personal guarantee of the loan principals.	26,464

Note 5. Loans Receivable (continued)

	<u>Original Amount</u>	<u>Repayment Terms</u>	<u>Security</u>	<u>Balance June 30, 2011</u>
Loan #11	\$127,500	60 monthly payments of \$2,406.08 including interest at 4%. Final payment due in June 2014.	Security agreement on all inventory, accounts receivable, equipment, all other general intangibles, as well as specific equipment. Personal guarantee of the loan principals.	\$80,281
Loan #12	75,000	60 monthly payments of \$1,415.34 including interest at 5%. Final payment due in September, 2014.	Security agreement on patent, contracts, and all other general intangibles. Second mortgage on real estate. Personal guarantee of the loan principals.	50,849
Loan #13	7,000	60 monthly payments of \$132.10, including interest at 5%. Final payment due in April, 2015.	Security agreement on all inventory, accounts receivable, equipment, all other general intangibles, as well as specific equipment. Personal guarantee of owner.	5,951
Loan #14	15,000	60 monthly payments of \$283.07, including interest at 5%. Final payment due in December, 2015.	Security agreement on all inventory, accounts receivable equipment, all other general intangibles, as well as specific equipment, Personal guarantee of owners.	13,663
The Commission has established a revolving loan fund with funds received from the Iowa Finance Authority – Housing Assistance Fund. A maximum payment of \$3,000 for first time homebuyers to be used for down payment, closing costs or minimal repair assistance will be made to qualified individuals. The loans carry a term of 5 years at 2% interest. The repayment of the loans are due monthly; however, the first principal and interest payment is not due until 12 months after closing. Until the loan balance is paid off, the Commission holds a second mortgage on the real estate.				6,457
The Commission has established a revolving loan fund with funds received from the Iowa Department of Economic Development – Local Housing Assistance Program and with funds received from the Iowa Finance Authority – Helping Iowa’s Rural Economy Grant Program. A maximum payment of \$5,000 for first time homebuyers to be used for down payment assistance will be made to qualified individuals. The loans carry a term of 5 years at 3% interest. The repayment of the loans are due monthly. Until the loan balance is paid off, the Commission holds a second mortgage on the real estate.				89,251
AHEAD, Inc. has established a revolving loan fund with funds received from the Iowa Finance Authority for a regional housing trust fund program. In addition, local funds were required to be provided and was combined with this program. A maximum payment of \$7,500 for qualified homeowners to be used for owner-occupied rehabilitation will be made to qualified individuals. The loans either carry a term of 5 years at an interest rate of 0%, 1% or 2%, depending on income, or are deferred until the home is no longer used as the homeowners primary residence. If repayment is required, repayments of the loans are due monthly. Until the loan balance is paid off, AHEAD, Inc. holds a deed restriction on the real estate.				13,217

Note 5. Loans Receivable (continued)

	Balance June 30, 2011
Subtotal	\$472,494
Less allowance for loan losses	<u>(65,000)</u>
Total	<u>\$407,494</u>

Note 6. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: AHEAD, Inc. Regional Housing Trust Fund	Special Revenue: AHEAD, Inc. Fund	<u>\$ 17,000</u>
Special Revenue: Economic Development Administration Grant		19,064
Iowa Department of Transportation	General	<u>14,723</u>
		<u>33,787</u>
Total		<u>\$ 50,787</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. However, these transfers were to cover fund deficits and to meet the local grant match requirements.

Note 7. Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets				
Equipment	\$ 38,214	4,732	4,432	38,514
Real estate	47,610	1,868	-	49,478
Total capital assets	<u>85,824</u>	<u>6,600</u>	<u>4,432</u>	<u>87,992</u>
Less accumulated depreciation				
Equipment	26,258	4,106	3,240	27,124
Total capital assets depreciated, net	<u>\$ 59,566</u>	<u>2,494</u>	<u>1,192</u>	<u>60,868</u>

Depreciation expense for the year totaled \$4,106.

Note 8. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Capitalized lease obligations	\$ 3,279	-	2,250	1,029	1,029
Compensated absences	21,437	29,635	21,437	29,635	29,635
Net OPEB liability	-	5,000	-	5,000	-
Total	\$ 24,716	34,635	23,687	35,664	30,664

Capitalized Lease Obligations

The Commission has entered into capital leases for the purchase of office equipment. The assets have been capitalized at cost.

Future minimum lease payments for the one remaining capital lease commitment are as follows:

Year Ended June 30 -	Amount
2012	\$ 1,044
Total	1,044
Less amount attributable to interest	15
Present value of minimum lease payments	\$ 1,029

The interest rate on the capitalized lease is 3.0%, and is imputed based on the Commission's incremental borrowing rate. Payments made under the capitalized lease obligations for the year ended June 30, 2011, totaled \$2,327.

Note 9. Operating Leases

The Commission has an operating lease for the rental of office space and an operating lease for the rental of a postage machine. The office space lease is cancelable with sixty days written notice. Office space rental expense totaled \$10,994 for the year ended June 30, 2011. Postage machine rental expense totaled \$330 for the year ended June 30, 2011. Future minimum lease payments in relation to the postage machine lease are as follows:

Year Ended June 30 -	Amount
2012	\$ 660
2013	660
2014	660
2015	330
Total	\$ 2,310

Note 10. Pension and Retirement Benefits

The Commission contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the Commission is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The Commission's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$17,841, 16,108 and \$12,731 respectively, equal to the required contributions for each year.

Note 11. Other Postemployment Benefits

The Commission implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2011.

Plan Description - The Commission operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 5 active and 0 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Assurant Health. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the Commission. The Commission currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The Commission's annual OPEB cost is calculated based on the annual required contribution (ARC) of the Commission, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the Commission's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the Commission's net OPEB obligation:

Annual required contribution	\$5,000
Contributions made	-
Increase in net OPEB obligation	5,000
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u>\$5,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the Commission contributed \$0 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Note 11. Other Postemployment Benefits (continued)

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 5,000	0.0%	\$ 5,000

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$37,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$37,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$265,000 and the ratio of the UAAL to covered payroll was 14.0%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2010 actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the Commission's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. The assumed rate of retirement was determined by attained age after becoming eligible to retire and continuing health coverage.

Projected claim costs of the medical plan are \$15,870 per year for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 12. Risk Management

The Area 15 Regional Planning Commission is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Commission assumes liability for any deductibles and claims in excess of coverage limitations.

The Commission had no director's and officer's liability coverage as of June 30, 2011. It is undeterminable the amount of risk and potential liability this might have on the Commission. However, subsequent to June 30, 2011, the Commission obtained director's and officer's liability coverage. The Commission knows of no claims filed against them during the time they were without director's and officer's liability coverage. Amounts for potential losses as a result of the failure to have director's and officer's liability coverage have not been accrued in the financial statements because it appears any potential loss is remote, and the amount of the loss, if any, can not be reasonably determined.



Note 12. Risk Management (continued)

Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 13. Deficit Fund Balances

At June 30, 2011, the Commission had a deficit fund balance of \$12,392 in the Special Revenue – Hazard Mitigation Grant Program Fund, a \$17,670 deficit fund balance in the Special Revenue – Iowa Department of Transportation Fund, and a \$7,334 deficit fund balance in the Special Revenue – Economic Development Administration Grant Fund.

These deficits will be eliminated once the accounts receivables are collected in September, 2011 or later.

Note 14. Mortgage Liens

In addition, to the mortgages discussed in note 5 above, the Commission holds a first or second mortgage on several additional parcels of real estate. When certain criteria are met by the owners, either through the passage of time or ownership requirements, the Commission will release the mortgage. In the event of default by the owners, the Commission would be entitled to reimbursement. However, any reimbursement that might be received as a result of defaults is not believed to be material.

Note 15. Contingencies

The Commission participates in a number of Federal and State grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant and loan agreements and applicable federal and state regulations, including the expenditures of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability to the Commission. The Commission's management believes such revisions or disallowance, if any, will not be material to the City.

In fiscal year 2009, the Iowa Department of Economic Development demanded repayment of \$91,177. The Iowa Department of Economic Development has asserted that the Commission overcharged the Community Development Block Grant program, and that these funds are due to them from the Commission. The Commission is aggressively defending this claim through the court system. This amount has not been accrued on the financial statements because it appears the loss is only reasonably possible, and the amount of the loss, if any, can not be reasonably determined.

Note 16. Subsequent Events

The Commission has evaluated subsequent events through March 15, 2012, which is the date the financial statements were available to be issued.

Note 17. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>General</u>	<u>Special Revenue, Jumpstart Program</u>
Balances June 30, 2010, as previously reported	\$ 133,186	3,049
Change in fund type classification per implementation of GASB Statement No. 54	<u>3,049</u>	<u>(3,049)</u>
Balances July 1, 2010, as restated	<u>\$ 136,235</u>	<u>-</u>

The beginning fund balance for the nonmajor Special Revenue, SBDC Fund has been restated to reclassify these funds as an Agency Fund. The restatement decreased the beginning fund balance as follows:

	<u>SBDC Fund</u>
Balance June 30, 2010, as previously reported	\$ 4,185
Accounts reflected as Agency Funds	<u>(4,185)</u>
Balance July 1, 2010, as restated	<u>\$ -</u>

Beginning net assets for governmental activities has been restated to reclassify certain funds as Agency Funds. The restatement decreased beginning net assets as follows:

	<u>Governmental Activities Net Assets</u>
Balance June 30, 2010, as previously reported	\$ 1,703,278
Funds reclassified as Agency Funds	<u>(4,185)</u>
Balance July 1, 2010, as restated	<u>\$ 1,699,093</u>

### **Required Supplementary Information**

Area 15 Regional Planning Commission

Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2011	July 1, 2010	-	\$ 37	37	0.0%	\$ 265	14.0%

See Note 11 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

## Other Supplementary Information

## Area 15 Regional Planning Commission

Schedule 1

Combining Balance Sheet  
Nonmajor Funds

June 30, 2011

	Special Revenue			Total
	Housing Partnership Fund	Housing Fund	Local Housing Assistance Program	
<b>Assets</b>				
Cash and cash equivalents	\$ 34,739	25,824	37,955	98,518
Loans receivable	6,457	-	-	6,457
<b>Total assets</b>	<b>\$ 41,196</b>	<b>25,824</b>	<b>37,955</b>	<b>104,975</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:	\$ -	-	-	-
Fund Balances:				
Restricted for:				
Housing purposes	41,196	25,824	37,955	104,975
Total fund balances	41,196	25,824	37,955	104,975
<b>Total liabilities and fund balances</b>	<b>\$ 41,196</b>	<b>25,824</b>	<b>37,955</b>	<b>104,975</b>

See accompanying independent auditor's report.

## Area 15 Regional Planning Commission

Schedule 2

Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances - Nonmajor Funds

Year ended June 30, 2011

	Special Revenue			Total
	Housing Partnership Fund	Housing Fund	Local Housing Assistance Program	
Revenues:				
Miscellaneous	\$ -	-	-	-
Total revenues	-	-	-	-
Expenditures:				
Operating				
Community and economic development				
Program	-	-	45,330	45,330
Total expenditures	-	-	45,330	45,330
Excess (deficiency) of revenues over (under) expenditures	-	-	(45,330)	(45,330)
Fund balances beginning of year, as restated	41,196	25,824	83,285	150,305
Fund balances end of year	\$ 41,196	25,824	37,955	104,975

See accompanying independent auditor's report.

## Area 15 Regional Planning Commission

## Schedule 3

Schedule of Changes in Fiduciary Assets and Liabilities -  
Agency Fund

Year ended June 30, 2011

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash and cash equivalents	\$ 4,185	6,462	10,000	647
<b>Total Assets</b>	<u>\$ 4,185</u>	<u>6,462</u>	<u>10,000</u>	<u>647</u>
<b>Liabilities:</b>				
Due to other governments	\$ 4,185	6,462	10,000	647
<b>Total Liabilities</b>	<u>\$ 4,185</u>	<u>6,462</u>	<u>10,000</u>	<u>647</u>

See accompanying independent auditor's report.



## Area 15 Regional Planning Commission

Schedule 4

Schedule of Revenues by Source and Expenditures by Function -  
All Governmental Funds

For the Last Eight Years

		Modified Accrual Basis								
		2011	2010	2009	2008	2007	2006	2005	2004	
Revenues:										
Use of money and property	\$	28,541	35,754	35,532	49,905	55,128	45,083	35,362	37,317	
Charges for service		79,354	103,907	86,431	58,423	80,350	121,005	123,320	92,106	
Intergovernmental		784,731	340,079	845,041	195,415	178,244	173,966	171,466	207,080	
Miscellaneous		22,886	34,066	56,104	29,117	39,092	8,940	4,665	30,862	
Total		\$	915,512	513,806	1,023,108	332,860	352,814	348,994	334,813	367,365
Expenditures:										
Operating:										
Community and economic development	\$	773,207	539,048	989,948	387,395	323,711	368,947	373,073	442,097	
		\$	773,207	539,048	989,948	387,395	323,711	368,947	373,073	442,097

See accompanying independent auditor's report.

## Area 15 Regional Planning Commission

Schedule 5

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

Grantor/Program	CFDA Number	Agency or Pass-Through Number	Program Expenditures
Direct -			
U.S. Department of Commerce -			
Economic Development Administration -			
Economic Development - Support for Planning Organizations	11.302	05-83-04981	\$ 61,000
Economic Adjustment Assistance	11.307	N/A	837,994
Economic Adjustment Assistance Disaster Recovery	11.307	05-69-04689	64,720
			<u>902,714</u>
Total direct			<u>963,714</u>
Indirect -			
U.S. Department of Housing and Urban Development -			
Passed through Iowa Department of Economic Development and various cities and counties -			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	Various	86,712
U.S. Department of Transportation -			
Iowa Department of Transportation -			
Highway Planning and Construction	20.205	11-RPA-15	43,152
Formula Grants For Other Than Urbanized Areas	20.509	11-RPA-15	15,718
U.S. Department of Homeland Security -			
Passed through Iowa Homeland Security and Emergency Management Division and			
Keokuk County Board of Supervisors -			
Hazard Mitigation Grant	97.039	FEMA-1763-DR-IA	22,195
U.S. Department of Homeland Security -			
Passed through Iowa Homeland Security and Emergency Management Division and			
Jefferson County Board of Supervisors and			
Mahaska County Board of Supervisors -			
Hazard Mitigation Grant	97.039	FEMA -1688-DR-IA	7,892
			<u>30,087</u>
Total indirect			<u>175,669</u>
Total			<u>\$ 1,139,383</u>

## Area 15 Regional Planning Commission

Schedule 5

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Area 15 Regional Planning Commission and is presented on the modified accrual basis of accounting, except for revolving loan fund transactions (Economic Adjustment Assistance, CFDA 11.307), as explained below. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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 Computation of CFDA Number 11.307 - Economic Adjustment Assistance
 

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Balance of loans outstanding at June 30, 2011	\$ 363,569
Cash and Investment balance at June 30, 2011	681,500
Administrative expenses paid out in fiscal year	15,661
Unpaid principal of loans written off during the fiscal year	65,324
Total	<u>\$ 1,126,054</u>
 Federal percentage	 <u>0.744186%</u>
 Amount included on Schedule of Expenditures of Federal Awards	 <u><u>\$ 837,994</u></u>

See accompanying independent auditor's report.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
Area 15 Regional Planning Commission

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Area 15 Regional Planning Commission as of and for the year ended June 30, 2011, which collectively comprise the Commission's basic financial statements listed in the table of contents, and have issued our report thereon dated March 15, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Area 15 Regional Planning Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Area 15 Regional Planning Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Area 15 Regional Planning Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and a deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Commission's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-11 and II-C-11 to be material weaknesses.

A significant deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-11 to be a significant deficiency.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Area 15 Regional Planning Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Area 15 Regional Planning Commission's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the Commission's responses, we did not audit Area 15 Regional Planning Commission's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Area 15 Regional Planning Commission and other parties to whom Area 15 Regional Planning Commission may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Area 15 Regional Planning Commission during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Peak & Co., LLP  
Certified Public Accountants

March 15, 2012

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A  
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors  
Area 15 Regional Planning Commission

Compliance

We have audited Area 15 Regional Planning Commission's compliance, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on Area 15 Regional Planning Commission's major federal program for the year ended June 30, 2011. Area 15 Regional Planning Commission's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Area 15 Regional Planning Commission's management. Our responsibility is to express an opinion on Area 15 Regional Planning Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Area 15 Regional Planning Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Area 15 Regional Planning Commission's compliance with those requirements.

In our opinion, Area 15 Regional Planning Commission complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Area 15 Regional Planning Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Area 15 Regional Planning Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Area 15 Regional Planning Commission's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified deficiencies in internal control over compliance we consider to be material weaknesses.

A deficiency in the Commission's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items III-A-11 and III-B-11 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program which is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in part III of the accompanying Schedule of Findings and Questioned Costs as items III-C-11 and III-D-11 to be significant deficiencies.

Area 15 Regional Planning Commission's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the Commission's responses, we did not audit Area 15 Regional Planning Commission's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Area 15 Regional Planning Commission and other parties to whom Area 15 Regional Planning Commission may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Peak & Co., LLP  
Certified Public Accountants

March 15, 2012

Area 15 Regional Planning Commission  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2011

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Two material weaknesses and three significant deficiencies in internal control over the major program were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 11.307 – Economic Adjustment Assistance/Economic Adjustment Assistance Disaster Recovery.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Area 15 Regional Planning Commission did not qualify as a low-risk auditee.



Area 15 Regional Planning Commission  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2011

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-11 **CDBG Issues** – According to a special report released in April, 2008 by the Auditor of State, hourly rates, which include both direct and indirect costs, may be used by the Commission to bill cities and counties for the administration of CDBG projects if the rates are supported by calculations and actual costs. For the past several years, the Commission has billed cities and counties \$35 per hour for administering CDBG projects. The hourly rate could not be supported by documentation or approval by the Board. In addition, the Commission has maintained a positive fund balance in the CDBG program for the past several years. The CDBG program fund balance at June 30, 2011 totaled \$34,363. The fund balance accumulated as a result of the Commission receiving administrative fees from the cities and counties for the projects in excess of the recorded CDBG costs. According to the special report issued by the Auditor of State, the Commission should recover only the actual direct and indirect costs incurred to administer the CDBG projects.

**Recommendation** – The Commission should ensure the hourly rate used to bill cities and counties is properly supported by actual costs and the rate is reviewed at least annually for each type of project administered. In addition, the Commission should work with the Iowa Department of Economic Development to resolve the issues associated with the fund balance of \$34,363 at June 30, 2011.

**Response** – Beginning July 1, 2008 (FY08/09) the Area 15 RPC, in consultation with its CPA firm, reviewed and adopted an annual rate to support actual costs for Administrative Contract services. This annual rate will be reviewed and revised (if appropriate) for each successive fiscal year. Additionally, as a result of the issuance of reports by the State Auditor's Office on several other Council of Governments (COG) organizations regarding actual CDBG Administrative costs, the Area 15 RPC is working with the state-wide COG organization, Iowa Association of Regional Councils (IARC), to resolve these matters with the former Iowa Department of Economic Development (IDED), now known as Iowa Economic Development Authority (IEDA). Likewise, the Area 15 RPC continues to have on-going communication, dialog and administrative guidance discussions with the appropriate IEDA division staff.

**Conclusion** – Response accepted. However, the Commission should continue to work with the Iowa EDA/Iowa DED in an attempt to resolve these issues.

II-B-11 **Accounting Records** – The Commission's financial statements were not in balance until late November, 2011 for the year ended June 30, 2011. As a result, the Commission's Board of Directors has not received accurate financial statements during the entire fiscal year.

**Recommendation** – The Commission implement procedures to ensure that the financial statements reconcile from year to year and on a monthly basis.

**Response** – The Commission's Board of Directors receives monthly financial reports that are based on actual reconciled bank accounts. The General Ledger was out of balance due to a posting error. However, we will make sure our financial statements reconcile from year to year and on a monthly basis.

**Conclusion** – Response accepted.

Area 15 Regional Planning Commission

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

II-C-11 Year End Adjustments – We proposed adjusting journal entries that were material to the Commission's financial statements.

Recommendation – We recommend that all balances at month and year end be reviewed for accuracy and completeness.

Response – We will take the recommendations you have made under advisement and make changes to our procedures to ensure the accuracy of the Commission's financial statements.

Conclusion – Response accepted

**INSTANCES OF NONCOMPLIANCE:**

No matters were noted.

Area 15 Regional Planning Commission  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2011

**Part III: Findings and Questioned Costs for Federal Awards:**

**INSTANCES OF NONCOMPLIANCE:**

No matters were reported.

**INTERNAL CONTROL DEFICIENCIES:**

**CFDA Number 11.307: Economic Adjustment Assistance  
Federal Award Year: 1990 & 1994  
U.S. Department of Commerce  
Passed through the Economic Development Administration**

**III-A-11 Monitoring of Loans** – Documentation such as employment reports and financial statements were not always obtained from the borrowers. These documents are required by the conditions of the loans.

**Recommendation** – Regional Economic Development Investments, Inc. (REDI) should continue to work on establishing procedures to ensure that the borrowers are properly monitored for compliance with the conditions of the loans.

**Response and Corrective Action Planned** – REDI continues to work on receiving loan documentation such as employment reports and financial statements. REDI borrowers are continuously reminded and requested to submit required quarterly and annual documents but we have very little leverage in demanding these documents, short of “calling” the loan for non-compliance.

**Conclusion** – Response accepted.

**III-B-11 Excess Funds** - Excess interest earnings on Regional Economic Development Investments, Inc. (REDI) funds are required to be paid to the EDA on a quarterly basis. We noted that the REDI is only remitting excess interest earnings to the EDA twice a year, instead of on a quarterly basis, as required.

**Recommendation** – The REDI implement procedures to ensure excess interest earnings on REDI funds be paid to the EDA on a quarterly basis.

**Response and Corrective Action Planned** – Since the bank only issues statements on the REDI sequestered funds on a semi-annual basis, we have been remitting interest every 6 months. EDA has not issued any concerns regarding semi-annual reporting. However, we will begin contacting the bank quarterly for interest earnings reports and subsequently remit our sequestered funds interest earnings to the EDA on a quarterly basis.

**Conclusion** – Response accepted.

Area 15 Regional Planning Commission

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

III-C-11 Accounting Records – Instances were noted where the Regional Economic Development Investments, Inc. (REDI) bank accounts were not consistently reconciled with the books at the end of each month. As a result, at June 30, 2011, an adjustment of over \$2,000 was made to the accounting records in order to reconcile the bank statements with the books.

Recommendation – The bank accounts for REDI need to be reconciled with the accounting records at month end for every month. Any differences need to be investigated and resolved.

Response and Corrective Action Planned – We will implement this recommendation.

Conclusion – Response accepted.

III-D-11 Non-Performing Loans – Regional Economic Development Investments, Inc. (REDI) has several loans in which the borrowers have quit making their loan payments to REDI. It does not appear that REDI has been very aggressive in pursuing the borrowers of the non-performing loans. For example, REDI could be pursuing the repossession of collateral in which REDI has a first security interest, or obtaining wage or bank account judgments against the borrowers. However, it does not appear that REDI has consistently been using these options to collect from borrowers who have quit making their loan payments to REDI.

Recommendation – REDI review all options available to them in the collection of non-performing loans.

Response and Corrective Action Planned – The REDI Board will review this in more detail.

Conclusion – Response accepted.

Area 15 Regional Planning Commission  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2011

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-11 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-B-11 Travel Expense – No expenditures of Commission money for travel expenses of spouses of Commission officials or employees were noted.

IV-C-11 Business Transactions – No business transactions between the Commission and Commission officials or employees were noted.

IV-D-11 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not, except that one Board minute publication and related claims were not timely published as required by Chapter 28 of the Code of Iowa.

Recommendation – The Commission ensure that all Board minutes and related claims are timely published as required by the Code of Iowa.

Response – While we provided minutes and related claims to the newspaper for publication within 2 weeks, the newspaper did not publish in a timely manner. We will monitor this recommendation closely.

Conclusion – Response accepted.

IV-E-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Commission's investment policy were noted.

IV-F-11 Financial Condition - The Special Revenue – Hazard Mitigation Grant Program Fund, the Special Revenue – Iowa Department of Transportation Fund and the Special Revenue – Economic Development Administration Grant Fund all had deficit balances at June 30, 2011.

Recommendation – The Commission should monitor these funds in order to eliminate these deficits.

Response – These deficit balances were eliminated from the collection of accounts receivables. These accounts receivables were collected in fiscal year 2012. For these programs, we spent the money before the related receipt of the grant funds.

Conclusion – Response accepted.

IV-G-11 Compliance Issues – One instance was noted where there was no proof that AHEAD, Inc. was included as a loss payee on the individual's insurance policy, even though it is required by the loan agreement.

In regards to the State of Iowa - Iowan's Helping Iowan's Program, as administered by the Commission, in one case it is unclear if some of the funds paid to the homeowner from this program were for allowable costs.

The Commission's Board of Directors did not approve of the salary increases for one Commission staff as required by the Commission's personnel manual.

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Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

The Commission received a grant from the Iowa Department of Economic Development for marketing activities. This grant was closed out in June 2009. However, as of June 30, 2011, some of these grant funds were not yet disbursed.

Recommendation – AHEAD, Inc. ensure that all requirements of the loan agreements between AHEAD, Inc. and the individuals are followed.

In relation to the Iowan's Helping Iowan's Program, the Commission should review the above issues and concern and take action as necessary.

The Commission implements procedures to ensure that all salary increases are approved by the Board of Directors as required by the Commission's personnel manual.

In addition, the Commission review the grant received for marketing activities with the Department of Economic Development to determine an appropriate course of action.

Response – We will review the above issues and take appropriate action. In regards to the Iowan's Helping Iowan's Program, some of the requirements as established by the State of Iowa could not be enforced or verified. Until the State of Iowa makes rules and regulations that can be enforced, there is potential for abuse by the homeowners, with no realistic recourse. We did the best we could on this program given the constraints and the inherent nature of this program.

The Disaster Recovery Coordinator was given a \$500/year salary increase due to expanded work activities relative to flood recovery efforts. However, in the future all salary increases will be approved by the Commission's Board of Directors. In addition, we will work with the Iowa Finance Authority in relation to the above grant.

Conclusion – Response accepted.

IV-H-11 Non-Performing Loans – AHEAD, Inc. and the Commission have several residential home loans in which the borrowers have quit making their loan payments to AHEAD, Inc. and to the Commission. It does not appear that AHEAD, Inc. and the Commission have been very aggressive in pursuing the borrowers of the non-performing loans. For example, AHEAD, Inc. and the Commission could be obtaining wage or bank account judgments against the borrowers. However, it does not appear that AHEAD, Inc. and the Commission have been using these options to collect from borrowers who have quit making their loan payments to AHEAD, Inc. and to the Commission.

Recommendation – AHEAD, Inc. and the Commission review all options available to them in the collection of non-performing loans.

Response – Both boards will review this in more detail.

Conclusion – Response accepted.

IV-I-11 Insurance – The Commission did not have director's and officer's liability insurance coverage as of June 30, 2011. Without director's and officer's liability insurance coverage, the Commission could be exposing themselves to unnecessary risk.

Recommendation – The Commission implement procedures to ensure director's and officer's liability insurance is obtained.

Area 15 Regional Planning Commission

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

Response – Our previous director's and officer's liability insurance company did not renew our policy. Due to our claims history, it took quite a while to obtain director's and officer's liability insurance from a company that would accept us. Therefore, we were without coverage for a while. However, we found an insurance carrier after June 30, 2011 who would provide us coverage and we currently do have coverage for this, and we will renew this coverage every year.

Conclusion – Response accepted.

- IV-J-11 Payroll Reports – We noted that the Commission did not file the first and second quarter 2011 payroll 941 reports with the IRS. In addition, the second quarter 2011 unemployment reports filed with the State of Iowa were not accurate.

Recommendation – The Commission accurately and timely file all 941 reports with the IRS and unemployment reports with the State of Iowa.

Response – We will implement this recommendation.

Conclusion – Response accepted.

- IV-K-11 Credit Union – Some AHEAD, Inc. monies on deposit in the credit union at June 30, 2011, and at other times during the year, were not covered by depository insurance, or by any other insurance or collateral.

Recommendation – AHEAD, Inc. implement procedures to ensure all funds are covered by depository insurance or collateralized in some manner.

Response – The AHEAD Regional Housing Trust Fund (RHTF) money market account exceeded the \$250,000 depository insurance level from May 24, 2011 until Aug. 24, 2011. That is due to the fact that all of the SHTF/IFA award was drawdown lump sum and deposited. However SHTF/IFA has changed their distribution procedures on future funds and there will be no lump sum drawdown of funds. The AHEAD RHTF will only be allowed to drawdown funds needed immediately to fund projects with such need for funds documented to SHTF/IFA prior to drawdown authorization and disbursement. We will contact the credit union and discuss our options with them if future account balances exceed the depository insurance levels.

Conclusion – Response accepted.

- IV-L-11 AHEAD, Inc. Regional Housing Trust Fund – One of the objectives of the AHEAD, Inc. Regional Housing Trust Fund is to provide utility assistance to eligible individuals. AHEAD, Inc. has contracted with the county general relief directors to screen and accept applicants who meet the criteria set by AHEAD, Inc. As part of this agreement with the county general relief directors, the county is required to maintain certain documentation in relation to the utility assistance program.

Our review noted that in one instance, no evidence could be found that the Davis County general relief director obtained and retained the documentation for an individual who received utility assistance from this program.

Recommendation – AHEAD, Inc. implement procedures to ensure that documentation is obtained and retained, as required, in relation to the utility assistance program.

Response – We will work with our counties in an attempt to correct this issue.

Conclusion – Response accepted.

**Area 15 Regional Planning Commission**

**Corrective Action Plan for Federal Audit Findings**

**Year Ended June 30, 2011**

<b>Comment Number</b>	<b>Comment Title</b>	<b>Corrective Action Plan</b>	<b>Contact Person, Title, Phone Number</b>	<b>Anticipated Date of Completion</b>
III-A-11	Monitoring of Loans	We will set up a checklist, and be more vigilant, to ensure all documents required on the loans are obtained.	Ellen Foudree Executive Director (641) 684-6551	Immediately
III-B-11	Excess Funds	We will remit excess interest to the EDA on a quarterly basis	Ellen Foudree Executive Director (641) 684-6551	Immediately
III-C-11	Accounting Records	We will reconcile our accounting records every month.	Ellen Foudree Executive Director (641) 684-6551	Immediately
III-D-11	Surcharge	Our Board will address this issue and implement a policy in relation to this.	Ellen Foudree Executive Director (641) 684-6551	June 30, 2012
III-E-11	Non-Performing Loans	Our Board will address this issue and implement a policy in relation to this.	Ellen Foudree Executive Director (641) 684-6551	June 30, 2012



Area 15 Regional Planning Commission  
Summary Schedule of Prior Federal Audit Findings  
Year Ended June 30, 2011

Comment Reference	Comment Title	Status	If not corrected, planned corrective action or other explanation
III-A-09 III-A-10	Monitoring of Loans	Not corrected	In the process of implementation.
III-B-10	Economic Adjustment Assistance Grant	Partially implemented	For the part not implemented, we are in the process of implementation.